

To the Members of the California State Assembly:

I am returning Assembly Bill 688 without my signature.

Medi-Cal managed care contracts are based on the concept that the managed care plan, in this case, a county organized health system (COHS), should have flexibility to manage health care for enrollees. Part of that management is negotiating rates with providers. For this reason, Medi-Cal managed care contracts do not mandate how the managed care plans spend their total monthly capitation payments. AB 688 would incorrectly assert that COHSs have an obligation to pay rate increases to Intermediate Care Facilities for the developmentally disabled (ICF/DD) and would inappropriately require the Department of Health Services (DHS) to advise COHSs of this non-existent obligation.

Additionally, the bill's requirement that DHS devise a method to advance funds to COHSs so the COHSs will pay these rate increases would clash with the objective of providing them with flexibility to negotiate rates. It could also create a precedent where other providers also request statutory guarantees of rate increases from COHSs or other Medi-Cal managed care plans.

Finally, the bill's requirement that DHS convene a workgroup to study reimbursement issues related to ICF/DD care is unnecessary. State law is not needed to authorize provider organizations to meet, discuss topics of mutual concern, and offer proposals to the Legislature.

For these reasons, I am returning AB 688 without my signature.

Sincerely,

Arnold Schwarzenegger